

# Department of Justice

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Central District of Illinois

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## Kankakee Area Father and Son Charged with \$1.7 Million Bank Fraud

Springfield, Ill. – A grand jury today returned an indictment charging Bourbonnais, Ill., businessman Gregory Yates, 53, and his son, Terrance Yates, 31, with defrauding a federal business loan program offered through a western Illinois bank of approximately \$1.7 million. Gregory and Terrance Yates are both charged with one count of conspiracy to commit bank fraud and five counts of bank fraud. In addition, Terrance Yates is charged with five counts of money laundering.

According to the indictment, during the time of the alleged fraud scheme, from April 2009 to July 2011, Gregory Yates was the president and chief executive officer of Quality Concept's LLC, and Terrance Yates was the chief financial officer. Quality Concepts owned and operated QC Manufacturing, LLC, and Champion Development LLC, a construction company. Quality Concepts, QC Manufacturing, and Champion Development all listed 1475 Harvard Drive, Kankakee, Ill., as the principal office location.

Further, according to the indictment, in May 2009, Gregory Yates, doing business as QC Manufacturing, purchased a vacant manufacturing facility, tools and equipment, located in Casey, Ill. At the time of the purchase, the facility, previously owned by Gregory Yates' brother and known as Casey Tool and Machine, was in bankruptcy.

In November 2009, QC Manufacturing applied for and was awarded a Business and Industry Loan through the U.S. Department of Agriculture, Office of Rural Development. Although processed through Country Bank of Aledo, Ill., the \$5.95 million loan was guaranteed and funded by the USDA using money allocated through the American Recovery and Reinvestment Act.

The indictment alleges that as part of the loan application, Gregory Yates submitted a signed letter stating that he intended to use the loan to purchase a vacant manufacturing facility in Casey, Ill., tools and equipment to operate within the facility and start up working capital for initial cash and inventory. Yates represented that the facility would be used to produce and distribute precision lighting equipment and estimated that the project would create more than 200 new jobs. The application included a budget of \$1.7 million to perform construction and improvements on the facility.

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As part of the alleged fraud scheme, Gregory and Terrance Yates agreed to use their own construction company, Champion Development, as the general contractor to perform the construction and improvements and no subcontractors were used. As a result Gregory and Terrance Yates were allegedly able to falsify and substantially inflate the value of the labor or materials, thereby drawing money from the USDA loan for work that was either never performed or was of lesser value than claimed on the contractor's sworn statement provided to the bank.

According to the indictment, relying on the contractor's sworn statements and affidavits signed by Terrance Yates, the bank disbursed \$1.7 to QC Manufacturing. Of the \$1.7 million disbursed, more than \$1.3 million was transferred from QC Manufacturing to Champion Development.

If convicted, the offense of conspiracy to commit bank fraud (one count) and each count of bank fraud (five counts) carries a maximum statutory penalty of 30 years in prison. For money laundering, the maximum statutory penalty is 10 years in prison.

The date for Gregory and Terrance Yates to appear in federal court in Urbana for arraignment will be determined by the U.S. Clerk of the Court.

The charges are the result of an investigation by the Internal Revenue Service, Criminal Investigation Division; the Office of Inspector General, U.S. Department of Agriculture; the Office of Inspector General, Federal Deposit Insurance Corporation (FDIC); and the Federal Bureau of Investigation. The case is being prosecuted by Assistant U.S. Attorney Eugene L. Miller.

Members of the public are reminded that an indictment is merely an accusation; the defendants are presumed innocent unless proven guilty.

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